

## Message Text

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ACTION EUR-12

INFO OCT-01 ISO-00 SP-02 AID-05 EB-07 NSC-05 CIEP-02

TRSE-00 SS-15 STR-04 OMB-01 CEA-01 CIAE-00 COME-00

FRB-01 INR-07 NSAE-00 USIA-15 XMB-04 OPIC-06 LAB-04

SIL-01 L-03 H-02 PA-02 PRS-01 /101 W

----- 078496

R 161716Z JUL 75

FM AMEMBASSY BONN

TO SECSTATE WASHDC 1470

INFO AMEMBASSY LONDON

AMEMBASSY PARIS

AMEMBASSY ROME

USMISSION EC BRUSSELS

USMISSION OECD PARIS

UNCLAS SECTION 01 OF 02 BONN 11555

DEPARTMENT PASS TREASURY, FEDERAL RESERVE AND CEA

E.O. 11652: N/A

TAGS: EFIN, GW

SUBJECT: MORE COMMENTS BY CHANCELLOR SCHMIDT ON THE  
STATE OF THE ECONOMY

CHANCELLOR HELMUT SCHMIDT RESPONDED TO SEVERAL TOPICAL  
QUESTIONS ON VARIOUS ECONOMIC SUBJECTS IN A GERMAN TV  
INTERVIEW JULY 10TH. AN EXCERPTED SUMMARY OF THE EX-  
CHANGE IN PARAPHRASED FORM IS AS FOLLOWS:

1. QUESTION: IS THERE CONCRETE DATA THAT THE AMERICAN  
ECONOMY IS ALREADY IN AN UPSWING?

SCHMIDT: THERE ARE SUCH SIGNS BUT I AM SCEPTICAL  
BECAUSE THE US AUTHORITIES IN THE PAST  
YEAR AND IN THE WINTER WERE VERY MUCH  
MISTAKEN ABOUT THEIR OWN ECONOMIC DE-  
VELOPMENT AND HAVE DRAGGED US INTO THEIR  
MISTAKES. I CAN REMEMBER THIS VERY WELL.

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THERE ARE SOME SIGNS NOW THAT THE AMERICAN

GOVERNMENT BELIEVES ARE POSITIVE. I  
WOULD LIKE TO SEE A LITTLE MORE BEFORE I  
I AM CONVINCED.

2. QUESTION: IN VIEW OF THE NEGATIVE INDICATORS FOR THE  
GERMAN ECONOMY AND THE DESIRES OF OUR  
EUROPEAN NEIGHBORS THAT GERMANY SHOULD  
TAKE SOME (EXPANSIONARY) INITIATIVES, IS  
THERE NOT NOW THE NECESSITY THAT FRG  
UNDERTAKE A NEW LARGE-SCALE ECONOMIC  
STIMULATION PROGRAM?

SCHMIDT: WE ALONE ARE TOO SMALL TO MAKE THE FRENCH,  
BELGIAN, DUTCH, DANISH AND BRITISH EN-  
GINES RUN. THE ENGINES MUST BE STARTED  
EVERYWHERE AND THIS REQUIRES DIFFERENT  
POLICIES IN DIFFERENT COUNTRIES. BUT  
THESE POLICIES MUST MESH WELL, THEY MUST  
SUPPLEMENT EACH OTHER. SURPLUS COUNTRIES  
LIKE THE FRG MUST HAVE A DIFFERENT PO-  
LICY THAN DEFICIT COUNTRIES LIKE ENGLAND  
AND ITALY, IN WHICH COUNTRIES THE BA-  
LANCE OF PAYMENTS DEFICIT AND THEIR IN-  
FLATION RATE IS EVEN A MORE DANGEROUS  
PROBLEM THAN UNEMPLOYMENT. THE FRG HAS  
TO AN ALMOST UNBELIEVEABLE EXTENT ALREADY  
UNDERTAKEN EXTENSIVE STIMULATION WITH THE  
TAX AND CHILDRENS ALLOWANCES REFORM AT  
THE BEGINNING OF THE YEAR, THE INVEST-  
MENT BONUSES, AND BY SUBSTANTIAL DEFICIT  
SPENDING AT ALL GOVERNMENT LEVELS. THE  
BUNDESBANK HAS IN RECENT MONTHS ALSO  
SUCC SUCCEEDED IN REDUCING BOTH SHORT AND LONG  
TERM INTEREST RATES. LABOR AND MANAGE-  
MENT HAVE BEEN REASONABLE ON THE WAGE  
SIDE. THERE IS LITTLE ELSE LEFT TO DO.  
A GERMAN ECONOMIC PROGRAM CANNOT BE A  
SUBSTITUTE FOR EXPORT ORDERS AND THIS  
MUST BE CLEARLY UNDERSTOOD.

3. QUESTION: IS PUBLIC INVESTMENT TO BE CURTAILED?  
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SCHMIDT: NO. ON THE CONTRARY IT MUST BE PROMOTED  
AND EXPANDED, AND IN THIS THE STATES AND  
CITIES MUST DO THEIR BEST AS WELL. THE  
FEDERAL GOVERNMENT WILL RENDER SOME  
ASSISTANCE BUT THIS MAY NOT NECESSARILY BE  
IN FORM OF MONEY.

4. QUESTION: IS IT NOT NECESSARY FOR THE BUNDESBANK TO

LOWER INTEREST RATES EVEN MORE?

SCHMIDT: THERE ARE LIMITS FOR THE LOWERING OF  
INTEREST RATES. IF WE BRING IT TO THE  
POINT WHERE IT IS MUCH BETTER TO INVEST  
MONEY ABROAD THAN IN THE FRG, THEN THIS  
WOULD BE A MISTAKE. THE INTERNATIONAL  
COORDINATION OF ECONOMIC POLICY UR-  
GENTLY REQUIRES THE SYNCHRONIZING OF THE

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SIL-01 L-03 H-02 PA-02 PRS-01 /101 W

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R 161716Z JUL 75

FM AMEMBASSY BONN

TO SECSTATE WASHDC 1471

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AMEMBASSY ROME

USMISSION EC BRUSSELS

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INTEREST RATE POLICY OF THE VARIOUS  
COUNTRIES. IN ENGLAND THE CURRENT INTER-  
EST RATE IS WAY ABOVE GERMAN RATES,  
NEVERTHELESS NOBODY WHO HAS HIS MONEY IN  
GERMANY WILL SEND IT TO LONDON SINCE THE  
INFLATION RATE THERE IS ALSO HIGH. BUT  
IN AMERICA THE INFLATION RATE HAS DROPPED

AND INTEREST RATES ARE A LITTLE HIGHER  
THAN IN GERMANY; AS A RESULT THERE ARE  
ALREADY MONEY FLOWS (OUT OF GERMANY). IT  
IS NOT POSSIBLE TO MANIPULATE DOMESTIC  
INTEREST RATES WITHOUT CONSEQUENCES IN THE  
ENTIRE WORLD ECONOMY.

5. QUESTION: WHEN DO YOU THINK THE FRG WILL RETURN TO  
GROWTH A GROWTH RATE OF 2 TO 3 PERCENT.

SCHMIDT: IF IT IS TRUE WHAT IS SAID ABOUT THE  
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FAVORABLE SIGNS CONCERNING THE US ECONOMY  
THEN I WOULD SAY NEXT YEAR FOR CERTAIN,  
AND THAT IT COULD PERHAPS BE MORE THAN  
2 TO 3 PERCENT. HOWEVER, ALL ECONOMIC  
FORECASTING INSTITUTIONS WERE MISTAKEN  
LAST WINTER - THE OECD, THE EEC, THE FRG,  
AS WELL AS THE INDEPENDENT GERMAN ECONOMIC  
INSTITUTES. I LOST ONE BET BASED ON THE  
EARLIER FORECAST. I WOULD LIKE TO WIN  
THE NEXT ONE, AND AS YOU HAVE SEEN, I AM  
AN OPTIMIST.

HILLENBRAND

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## Message Attributes

**Automatic Decaptioning:** X  
**Capture Date:** 01 JAN 1994  
**Channel Indicators:** n/a  
**Current Classification:** UNCLASSIFIED  
**Concepts:** ECONOMIC CONDITIONS, PRESS CONFERENCES, TELEVISION BROADCASTING  
**Control Number:** n/a  
**Copy:** SINGLE  
**Draft Date:** 16 JUL 1975  
**Decaption Date:** 01 JAN 1960  
**Decaption Note:**  
**Disposition Action:** n/a  
**Disposition Approved on Date:**  
**Disposition Authority:** n/a  
**Disposition Case Number:** n/a  
**Disposition Comment:**  
**Disposition Date:** 01 JAN 1960  
**Disposition Event:**  
**Disposition History:** n/a  
**Disposition Reason:**  
**Disposition Remarks:**  
**Document Number:** 1975BONN11555  
**Document Source:** CORE  
**Document Unique ID:** 00  
**Drafter:** n/a  
**Enclosure:** n/a  
**Executive Order:** N/A  
**Errors:** N/A  
**Film Number:** D750245-1136  
**From:** BONN  
**Handling Restrictions:** n/a  
**Image Path:**  
**ISecure:** 1  
**Legacy Key:** link1975/newtext/t19750748/aaaabqvb.tel  
**Line Count:** 197  
**Locator:** TEXT ON-LINE, ON MICROFILM  
**Office:** ACTION EUR  
**Original Classification:** UNCLASSIFIED  
**Original Handling Restrictions:** n/a  
**Original Previous Classification:** n/a  
**Original Previous Handling Restrictions:** n/a  
**Page Count:** 4  
**Previous Channel Indicators:** n/a  
**Previous Classification:** n/a  
**Previous Handling Restrictions:** n/a  
**Reference:** n/a  
**Review Action:** RELEASED, APPROVED  
**Review Authority:** greeneet  
**Review Comment:** n/a  
**Review Content Flags:**  
**Review Date:** 11 FEB 2003  
**Review Event:**  
**Review Exemptions:** n/a  
**Review History:** RELEASED <11 FEB 2003 by ThomasVJ>; APPROVED <15 MAR 2004 by greeneet>  
**Review Markings:**

Margaret P. Grafeld  
Declassified/Released  
US Department of State  
EO Systematic Review  
06 JUL 2006

**Review Media Identifier:**  
**Review Referrals:** n/a  
**Review Release Date:** n/a  
**Review Release Event:** n/a  
**Review Transfer Date:**  
**Review Withdrawn Fields:** n/a  
**Secure:** OPEN  
**Status:** NATIVE  
**Subject:** MORE COMMENTS BY CHANCELLOR SCHMIDT ON THE STATE OF THE ECONOMY  
**TAGS:** EFIN, GE, (SCHMIDT, HELMUT)  
**To:** STATE  
**Type:** TE  
**Markings:** Margaret P. Grafeld Declassified/Released US Department of State EO Systematic Review 06 JUL 2006